FAQ – Defined Outcome ETFs

INNOVATOR CAPITAL MANAGEMENT

What are Innovator Defined Outcome ETFs?

The Innovator Defined Outcome ETFs are a revolutionary product line that will offer investors exposure to the Price Return Index (S&P 500) with downside buffer levels of 9%, 15%, or 30%, over an outcome period of approximately one year, at which point each ETF will reset. Innovator anticipates listing quarterly series of each ETF (July, October, January [available now], and April Series [anticipated 2019]). A description of each ETF series is below.

INNOVATOR S&P 500 BUFFER ETF (CBOE: BJAN, BOCT, BJUL):
Designed to track the return of the S&P 500 (up to a predetermined cap) while buffering investors against the first 9% of losses over the outcome period, before fees and expenses.

INNOVATOR S&P 500 POWER BUFFER ETF (CBOE: PJAN, POCT, PJUL):
Designed to track the return of the S&P 500 (up to a predetermined cap) while buffering investors against the first 15% of losses over the outcome period, before fees and expenses.

INNOVATOR S&P 500 ULTRA BUFFER ETF (CBOE: UJAN, UOCT, UJUL):
Designed to track the return of the S&P 500 (up to a predetermined cap) while buffering investors against a decline of 30% of losses over the outcome period, from -5% to -35%, before fees and expenses. Investors are exposed to loss between 0% and -5%.

How is this possible?

Each Innovator Defined Outcome ETF holds a customized basket of S&P 500 FLexible EXchange® options (FLEX options) with varying strike prices and the same expiration. This gives each ETF a defined buffer level and upside cap over an outcome period. Innovator has collaborated with some of the world's leading experts in financial (Cboe Options Exchange), indexing (S&P Global), and financial risk management (Milliman) to construct the Defined Outcome ETFs.

What is the expense ratio?

0.79%

How are the ETFs constructed?

Each Innovator Defined Outcome ETF will hold a portfolio of custom exchange-traded Cboe S&P 500 FLEX options that have varying strike prices (the price at which the option purchaser may buy or sell the security, at the expiration date), and the same expiration date (approximately one year). Each ETF intends to roll options components annually, on the last business day of the month associated with each ETF.

Do these ETFs track an index?

No. Innovator Defined Outcome ETFs are actively managed, but are benchmarked to the Cboe S&P 500 Target Outcome Index Series, designed in collaboration with S&P Dow Jones Indices, CBOE, and Milliman Financial Risk Management LLC.

What if I buy shares of a Defined Outcome ETF after the first day?

We call these investors "interim period shareholders."

Investors purchasing shares of a Fund after its launch date may receive a different payoff profile than those who entered the Fund on day one. *However, investors purchasing shares of a Defined Outcome ETF after day one can still know what their defined outcome parameters are.* This is an important feature of Defined Outcome ETFs: they are unlike other structured products, which do not allow investment after the initial offering period. Innovator has built a web tool to provide investors with detailed information about each Fund's current share price in relation to its cap, buffer, and outcome period. **In other words, throughout each trading day, investors will be able know their potential defined outcome profile before they invest, based on the current ETF price and the outcome period remaining.**

Please visit innovatoretfs.com/define to learn more and to see how the Defined Outcome Pricing Tool works.

Are the ETFs active or passive?

These ETFs are active but are benchmarked to the Cboe S&P 500 Defined Outcome Index Series, designed in collaboration with S&P Dow Jones Indices, CBOE, and Milliman Financial Risk Management LLC.

Do these ETFs mature?

No. Upon the conclusion of the outcome period, the Fund will reset into a new portfolio with the same exposure, buffer level, and term, and a new upside cap will be determined.

The Funds have characteristics unlike many other traditional investment products and may not be suitable for all investors. For more information regarding whether an investment in the Fund is right for you, please see "Investor Suitability" in the prospectus.

So if I buy shares of the Innovator S&P 500 Buffer ETF at its initial price ($25) on the first day of trading, then at the end of the outcome period I can expect to participate in the upside of the S&P 500 to a cap, with a downside buffer level of 9%, before fees and expenses?

Yes. These ETFs are designed to provide point-to-point exposures to the price return of the S&P 500. They are not expected to move directly in line with the S&P 500 during the interim period. It is also important to note that there is no assurance that the Fund will meet its investment objective.

Is anyone guaranteeing my results?

No. Unlike certain insurance products and structured products, ETFs are not backed by the faith and credit of an issuing institution like an insurance company or a bank. This also means that Innovator ETFs are not exposed to credit risk. The options held by the ETFs are guaranteed for settlement by the Options Clearing Corporation. In the unlikely event that the Options Clearing Corporation becomes insolvent or is otherwise unable to meet its settlement obligations, the ETFs could suffer significant losses.

Are there any comparable products that exist on the market?

The Defined Outcome ETFs are designed to offer investors better, cheaper, and more accessible alternatives to structured notes and certain insurance products (e.g., structured annuities). While those products can play an important role in certain investors' portfolios, their characteristics like high fees, illiquidity, lack of transparency, and counterparty risk during crises have set the stage for a structured outcome segment ripe for disruption. We believe many of the benefits of defined outcome products can be harnessed efficiently and cost-effectively via the ETF vehicle.

Who are the ETFs for?

The Defined Outcome ETFs have broad applicability for investor types, ranging from retail to institutional investors. Innovator built several defined outcome ETFs in an effort to appeal to a range of investors seeking equity market growth with a downside buffer. This may include high-net-worth investors, retirees, pensions, defined-contribution plans, endowments, ETF strategists, target-date funds, institutional allocators, and hedge funds. We believe the ability to know potential outcome parameters before investing has countless applications.

How many ETFs will be in the series?

Initially, there will be three Innovator S&P 500 Defined Outcome ETFs: Innovator S&P 500 Buffer ETF, Innovator S&P 500 Power Buffer, and Innovator S&P 500 Ultra Buffer ETF. Each Defined Outcome ETF strategy represents a different risk-tolerance level.

Can an investor buy and hold a Defined Outcome ETF, or do they need to re-purchase the ETF each year?

These ETFs "reset" at the conclusion of their respective outcome periods, but the products may be held indefinitely. Upon the conclusion of an outcome period, each Fund will roll into a new set of options contracts with the same exposure, buffer level, and term length, and a new upside cap will be determined.

How are the ETFs intended to be used in a portfolio setting?

We believe Innovator Defined Outcome ETFs can be used as a compliment or a replacement for both equity and fixed income allocations in existing portfolios. The inherent flexibility of the ETFs, allowing them be used together in a portfolio and/or alongside other investments, makes them an agile tool for risk management and participating in potential price growth in the S&P 500.

Who is the sub-advisor?

The ETFs are sub-advised by Milliman Financial Risk Management LLC (Milliman FRM), a global leader in financial risk management to the retirement savings industry. Milliman FRM was also instrumental in the design of the Cboe S&P 500 Target Outcome Indexes.

These ETFs seem to come with a lot of new terms. Can you explain?

Yes. The terms you will likely encounter with Innovator Defined Outcome ETFs are:

"**Index exposure**" is the index the ETFs are providing structured exposures to. In this case, it is the S&P 500 Index. "**Cap**" refers to the maximum potential return, before fees and expenses, if held to the end of the current outcome period. In other words, the ETFs seek to track the price return of the S&P 500 over a point-to-point period (the outcome period) up to a pre-determined cap. The ETF does not participate in growth beyond the cap. "**Buffer**" refers to the amount of downside protection, before fees and expenses, over the full outcome period. "**Outcome period**" is the intended length of time over which the defined outcomes are sought.

The remaining terms are applicable to those considering an investment in an ETF during the outcome period. "**Remaining upside cap**" is the current maximum potential return available at the Fund's current price, before fees and expenses, if held to the end of the remaining outcome period. For example, if the Fund's cap is 8% and the Fund has appreciated by 4%, the remaining upside cap is 4%. "**Remaining downside buffer**" is the current amount of downside buffer remaining at the Fund's current price, before fees and expenses, if held to the end of the Outcome Period. "**Downside before buffer**" is the amount of Fund loss incurred before the buffer begins. This is applicable to people considering an investment during the interim period. "**Remaining outcome period**" is the amount days remaining until the last day of the outcome period. "**Fees and expenses**" include the Funds' management fee of 0.79%, any shareholder transaction fees and any extraordinary expenses.

Is anyone else behind this effort?

Innovator Capital Management has partnered with several of the world's leading financial institutions to harness advancements in financial technology in order to build the Innovator Defined Outcome ETFs. The series was developed through collaboration between the Chicago Board Options Exchange (Cboe; provides the options contracts, listing venue, and options valuation modeling), S&P Global (collaborated on, owns, and operates the indices used by the Defined Outcome ETF series), and Milliman Financial Risk Management (Milliman FRM, the sub-adviser on the Defined Outcome series). Together, these global institutions are helping investors better manage risk and move forward with confidence.

Are there benefits to these ETFs over other structured products?

The Defined Outcome ETFs attempt to solve many of the most significant risks associated with legacy products aiming to provide investors with known return profiles in equity markets, namely liquidity risk and counterparty credit risk. They are also fully transparent, more flexible solutions than the relatively opaque and rigid structured notes and fixed-index annuities they replace. A summary of the risks are listed at the end of this document, and more information is available in the prospectus. Please read it carefully.

The cap for each ETF is set on its launch date, and is dependent upon market conditions at the time of launch.

Investing involves risks. The Funds face numerous market trading risks, including active markets risk, authorized participation concentration risk, buffered loss risk, Cap change risk, capped upside return risk, correlation risk, FLEX Option counterparty risk, cyber security risk, fluctuation of net asset value risk, investment objective risk, limitations of intraday indicative value risk, liquidity risk, management risk, market maker risk, market risk, non-diversification risk, operation risk, options risk, Outcome Period risk, tax risk, trading issues risk, upside participation risk and valuation risk. Unlike mutual funds, the Funds may trade at a premium or discount to their net asset value. ETFs are bought and sold at market price and not individually redeemed from the Fund. Brokerage commissions will reduce returns.

FLEX Options Risk. The Fund will utilize FLEX Options issued and guaranteed for settlement by the OCC. The Fund bears the risk that the OCC will be unable or unwilling to perform its obligations under the FLEX Options contracts. In the unlikely event that the OCC becomes insolvent or is otherwise unable to meet its settlement obligations, the Fund could suffer significant losses. Additionally, FLEX Options may be less liquid than certain other securities such as standardized options. In less liquid market for the FLEX Options, the Fund may have difficulty closing out certain FLEX Options positions at desired times and prices. The values of FLEX Options do not increase or decrease at the same rate as the reference asset and may vary due to factors other than the price of reference asset.

The outcomes that a Fund seeks to provide may only be realized if you are holding shares on the first day of the Outcome Period and continue to hold them on the last day of the Outcome Period, approximately one year. If you purchase shares after the Outcome Period has begun or sell shares prior to the Outcome Period's conclusion, you may experience very different investment returns from those that a Fund seeks to provide.

These Funds are designed to provide point-to-point exposure to the price return of the S&P 500 via a basket of FLEX Options. As a result, the ETFs are not expected to move directly in line with the S&P 500 during the interim period.

Investors are subject to an upside return Cap that represents the maximum percentage return an investor can achieve from an investment in the Fund for the Outcome Period. Therefore, even though a Fund's returns are based upon the S&P 500, if the Fund experiences returns for the Outcome Period in excess of the Cap, you will not experience those excess gains but will remain vulnerable to significant downside risks. Regardless of the performance of the S&P 500, the Cap is the maximum return an investor can achieve from an investment in the Fund for the Outcome Period. The Cap will change from year-to-year based upon prevailing market conditions at the beginning of the Outcome Period. The Cap, and the Fund's position relative to it, should be considered before investing in the Fund.

Similarly, the buffer that the Funds seek to provide is only operative against the percentage (i.e. 9%, 15% and 30%) of S&P 500 losses for the applicable Fund's Outcome Period. If an investor is considering purchasing shares during the Outcome Period, and the Fund has already decreased in value by an amount equal to or greater than its buffer, an investor purchasing shares at that price will have increased gains available prior to reaching the Cap but may not benefit from the buffer that the Fund seeks to offer for the remainder of the Outcome Period. Conversely, if an investor is considering purchasing Shares during the Outcome Period, and the Fund has already increased in value, then a shareholder may experience losses prior to gaining the protection offered by the buffer. After the S&P 500 has decreased in value by more than a Fund's buffer during an Outcome Period, the Fund will experience any subsequent losses on a one-to-one basis. There is no guarantee that a Fund will be successful in its attempt to provide buffered returns. The Funds shares will be listed for trading on the CBOE BZX Exchange. The Funds will not terminate after the conclusion of an Outcome Period. After the conclusion of an Outcome Period, another will begin.

Each Fund's investment objectives, risks, charges and expenses should be considered before investing. The prospectus contains this and other important information, and may be obtained at 800.208.5212. Read it carefully before investing.

Innovator ETFs are distributed by Foreside Fund Services, LLC.